

Year 2000: Approach to Competitive Sourcing



**“Implementing
the A-76
Program”**

DFAS



Agenda

- Background -- DFAS
- FAIR Act and DFAS
- Current A-76 Initiatives
- Summary



DFAS



DFAS: Who we are

- Great people, with a clear mission, serving America's best
- World's largest finance and accounting operation
- Established in 1991 based on DMRD 910
- Worthy of a Harvard business case study
- "Your Financial Partner @ Work"



DFAS Mission:

Provide responsive, professional finance and accounting to the Department of Defense.

- DFAS continues to consolidate, standardize, and streamline operations
- DFAS remains focused on customer needs and continually strives to be their key financial partner
- DFAS embraces emerging technology in modernizing systems and meeting new statutory requirements

DFAS



The DFAS Corporation

Assets, Liabilities, Net Position

Total Assets = \$1,061.1 Million

Total Liabilities = \$419.3 Million

Total Net Position = \$641.8 Million

Annual Revenue

\$1,670.5 Million

Capital Budget

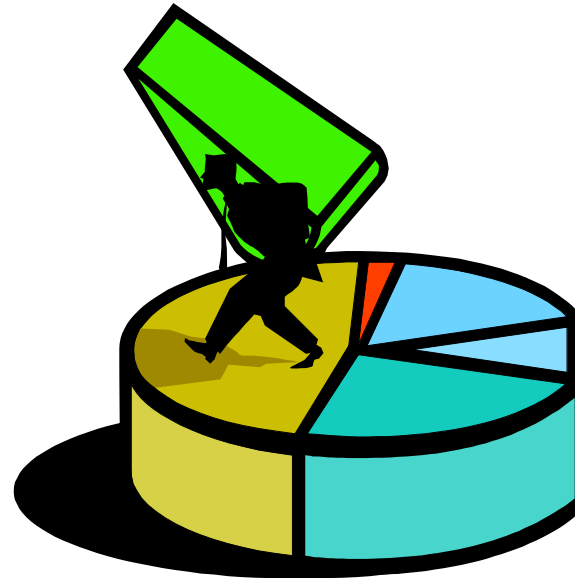
\$218.3 Million

Our People

18,309 Civilians

1,519 Military

19,828 Total



Cost of Operations

\$1,668.2 Million

Operates as a Working Capital Fund

Rates and Prices

Products and Services

Customers and Providers



Magnitude of Operations



Finance

(Monthly totals)

Accounting

(Annual totals)

**DoD is
Big
Business!**

- 5.4M military, civilians, retirees, annuitants paid
- 2.6K military retiree death cases
- \$24B disbursements
 - \$13B contract/vendor payments
 - \$11B personnel payments
- \$3.4B intergovernmental payments
- 1.2M invoices
- 500K savings bonds
- 450K travel payments
- 122K transportation bills
- 11K garnishments

- 100M accounting transactions
- 156 active DoD appropriations
- 1,050 program years
- 226 Treasury accounts
- \$162B Investment Manager- Retirement Trust Fund
- \$222B in Foreign Military Sales Trust Fund

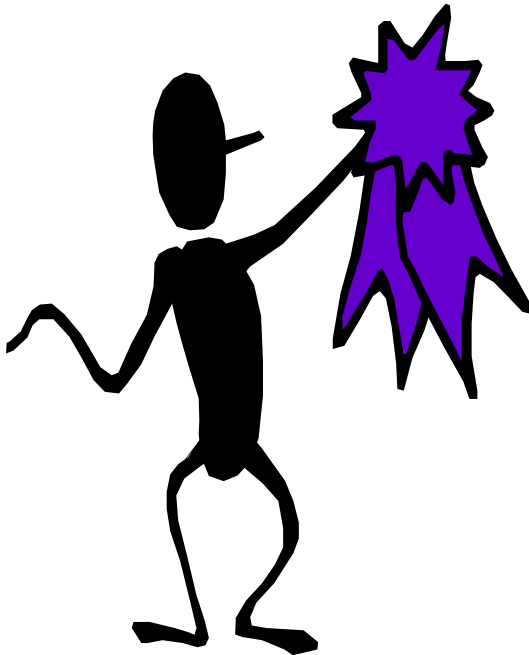
World's Largest Finance and Accounting Operation!



The World's Largest Finance and Accounting Operation!

■ DoD finance and accounting operations are:

- larger than the combined annual sales of 264 of the Fortune 500 companies;
- more than twice the size of Exxon;
- twenty times the size of Coca-Cola; and,
- 146 times the size of Fruit of the Loom.

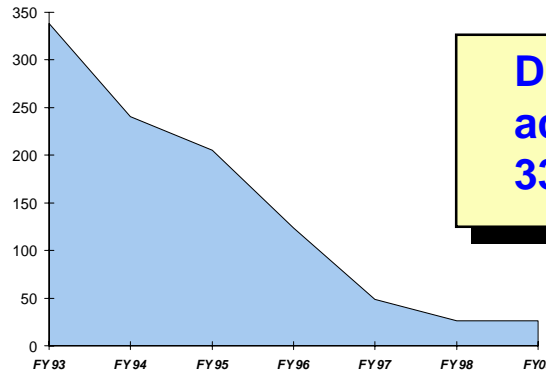


DFAS



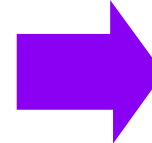
The DFAS Journey... Operations, People, Systems

Consolidation of Operations



**DFAS closed 312 finance and accounting offices worldwide
338 sites to 26**

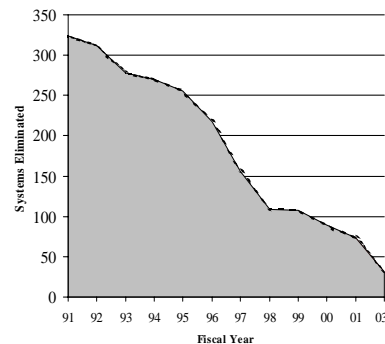
Resource Reductions



**Manpower will fall from
27K in 1993 to 17.5K in 2003
(35% reduction)**

1993: 27,000 employees 1998: 20,000 2000: 18,775 2003: 17,500

Systems Standardization



**DFAS will reduce the number of
finance and accounting systems
from the 1991 baseline of 324
to 32 (77%) by 2003**

DFAS



The DFAS Journey...The Business Evolution

**World Class
Organization**

The 1990's

Year 2000

Beyond 2000

Disparate Systems

Stovepiped Business Practices

Service Provider Monopoly

Controlled Customer Base

Geographically-based Structure

Inherently Governmental Operations

Fewer, More Modern Systems

Interdependent Business Practices

Value-added Services

Customer-centric Model

Business Line Focus

Competitive Sourcing

System Enablers

Seamless Business Practices

Provider of Choice

Customer Partnership

Business Line Matrix Management

Business Alliances



Inventory Publicly

Available:

- <http://gravity.lmi.org/dodfair>
- Hotline: (703) 917-7431
- 16 Public Libraries in Washington DC Area, including the Pentagon Library & Library of Congress.



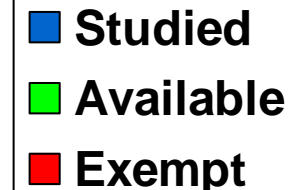
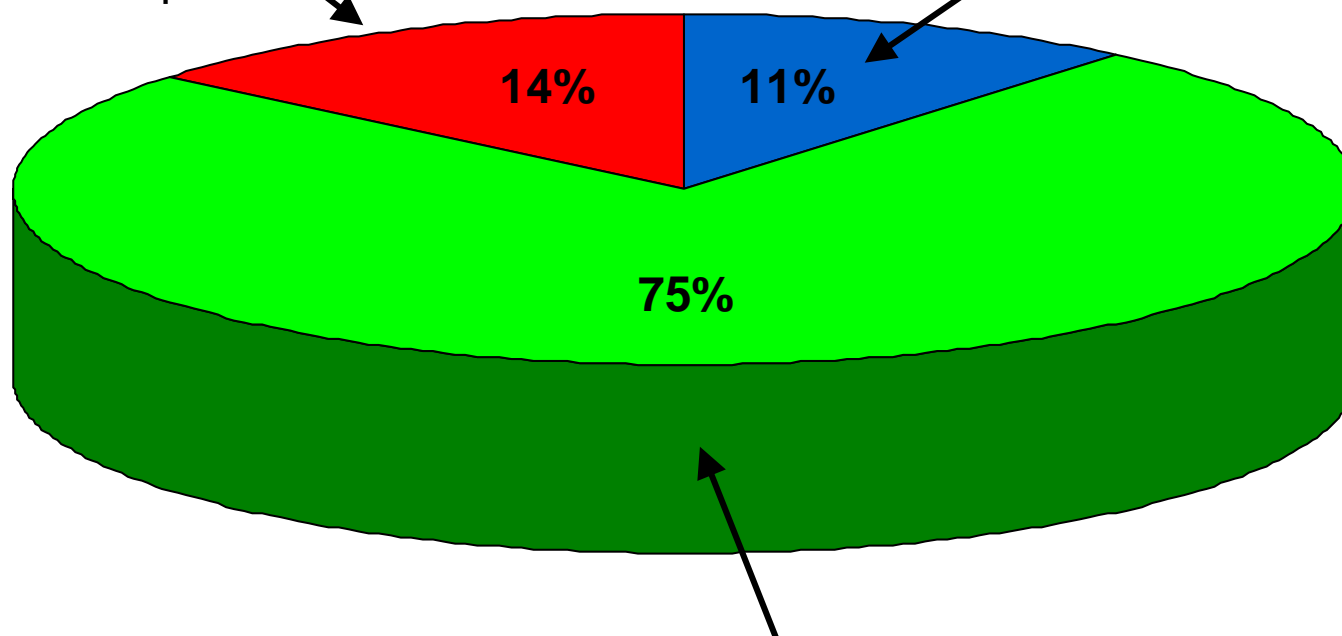


FAIR Act Implementation for DFAS



Functions that are defined as inherently governmental or exempt

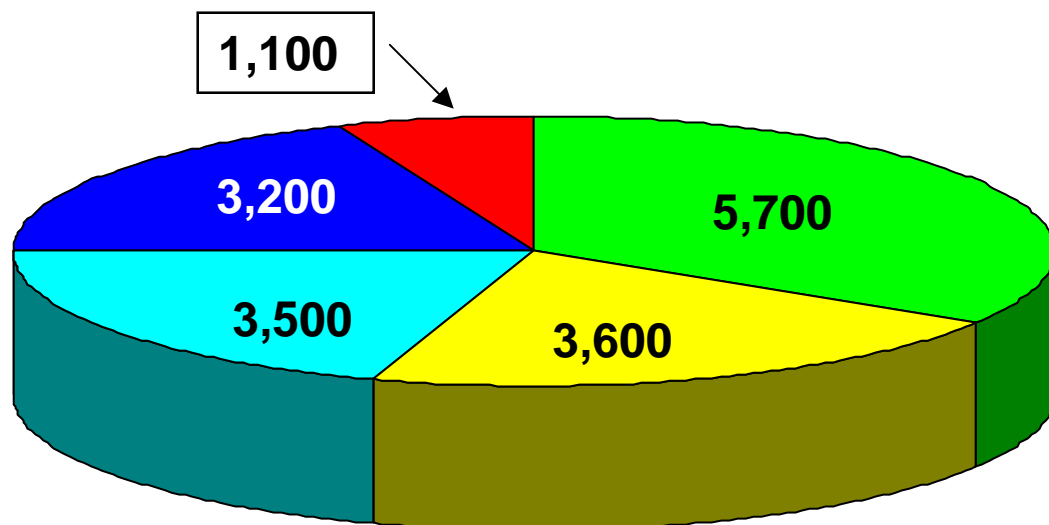
Functions that have been studied or are currently under an A-76 study



Functional operations that are not defined as inherently governmental or exempt and have been added to the list of positions available for competition



Available For Competition



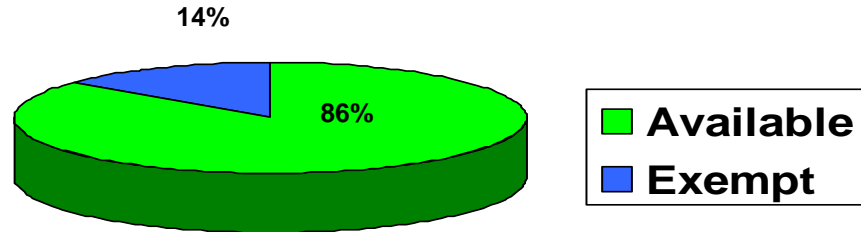
- Accounting & Trial Balance Operations
- Pay & Travel Operations
- Commercial & Contract Payment Operations
- Management & Support
- Systems & Software Support

Approximately 17,100 Total Full Time Equivalent Positions = 86%

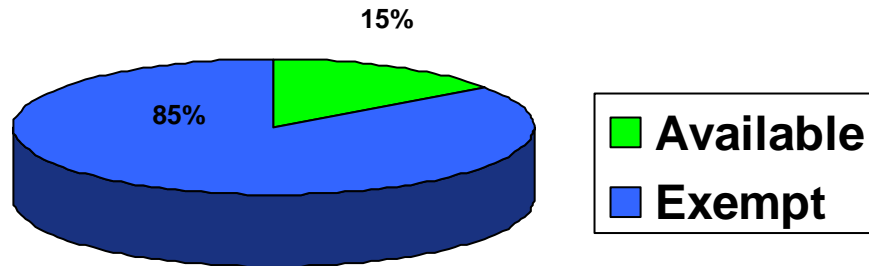
DFAS



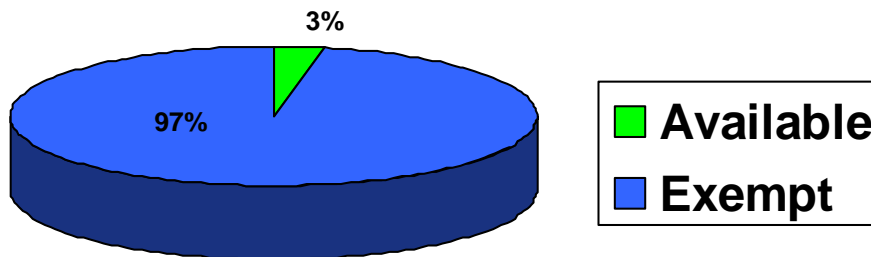
Comparison to Other Federal Agencies



Defense Finance and Accounting Service



Dept of Interior



Dept of Commerce



DFAS and A-76 Studies

■ ***Recent DFAS A-76 Process Improvements:***

- Established new process to enhance and potentially speed up competition.
- Instituted Executive Steering Group to provide oversight.
- Introduced 2 team approach for PWS and MEO development.
- Adopted 3-Step methodology for PWS and MEO development.
- Involving all DFAS business partners: management, union, employees, customers, and private sector.



DFAS and A-76 Studies

■ *New 3 Steps (versus the 2-Step A-76 Process):*

- **Step 1:** Develop a comprehensive draft performance-based solicitation and obtain industry comments.
- **Step 2:** Solicit private sector and Government proposals.
- **Step 3:** Perform Cost Comparison -- Private Sector vs. Government Proposal.



DFAS and A-76 Studies

Completed Studies

STUDY TITLE	ANNOUNCED TO CONGRESS	DECISION	BASELINE WORKYEARS	PROJECTED WORKYEARS SAVED	PROJECTED \$ SAVED	FIRST YEAR OF SAVINGS
Debt and Claims Management	Mar 95	MEO	494	193	\$8.5M	FY 98
Facilities, Logistics, and Administration	Mar-95	MEO	279	92	\$4.0M	FY 98
DeCA Vendor Pay	Nov-95	MEO	240	165	\$10.1M	FY 98
DeCA Accounting	Jul-97	MEO	84	23	\$1.5M	FY 01
Transportation Accounting	Mar-97	MEO	89	31	\$2.3M	FY 01
Depot Maintenance Accounting	Feb-97	MEO	133	26	\$2.2M	FY 01
Subtotal:			1319	530	\$28.6M	

DFAS



DFAS and A-76 Studies

In Process Studies

STUDY TITLE	ANNOUNCED TO CONGRESS	ESTIMATED DECISION	BASELINE WORKYEARS	PROJECTED WORKYEARS SAVED	PROJECTED \$ SAVED	FIRST YEAR OF SAVINGS
Retired and Annuitant Pay	Dec-97	Mar-01	650	162	\$8.2M	FY 02
Civilian Pay	Dec-97	May-01	500	126	\$10.3M	FY 02
Security Assistance Accounting	Mar-00	Aug-01	460	115	\$7.6M	FY 02
Subtotal:			1610	403	\$26.1M	



DFAS and A-76 Studies

Completed Studies

<u>Title</u>	<u>Locations Affected</u>	<u>Workyears Saved</u>
Debt and Claims Management	Denver	193
Facilities, Logistics, and Administration	Cleveland	17
	Columbus	5
	Denver	50
	Indianapolis	14
	Kansas City	6
DeCA Vendor Pay	Columbus	165
DeCA Accounting	Columbus	23
Transportation Accounting	Omaha	31
Depot Maintenance Accounting	Kansas City	0
	Norfolk	15
	Rock Island	8
	San Bernardino	-7
	San Diego	10

DFAS



DFAS and A-76 Studies

In Process Studies

<u>Title</u>	<u>Locations Affected</u>	<u>Projected Workyears Saved</u>
Retired and Annuitant Pay	Cleveland Denver	125 37
Civilian Pay	Charleston Denver Pensacola	30 38 58
Security Assistance Accounting	Denver Dayton St. Louis Limestone Omaha Rock Island Charleston Columbus Indianapolis San Antonio San Bernardino	80 8 11 1 2 2 1 1 1 3 5



DFAS and A-76 Studies

STUDY IN PROCESS

<u>Study</u>	<u>Start</u>	<u>End</u>	<u>Workyears Studied</u>	<u>Anticipated Savings Workyears</u>	<u>Dollars</u>
Retired & Annuitant Pay	Dec 97	Mar 01	650	162	\$8.2M

■ Schedule

- Draft RFP - June 2000
- Final RFP - August 2000
- Proposals Due - November 2000

■ Current Status

- Comments on Draft RFP being reviewed
- Actions on track to meet timelines



DFAS and A-76 Studies

STUDY IN PROCESS

				<i>Anticipated Savings</i>	
<u>Study</u>	<u>Start</u>	<u>End</u>	<u>Studied</u>	<u>Workyears</u>	<u>Dollars</u>
Civilian Pay	Dec 97	May 01	500	126	\$10.3M

■ Schedule

- Draft RFP - August 2000
- Final RFP - October 2001
- Proposals Due - March 2001

■ Current Status

- Site selection evaluations underway for MEO proposal
- Updating performance work statements for RFP release



DFAS and A-76 Studies

STUDY IN PROCESS

<u>Study</u>	<u>Start</u>	<u>End</u>	<u>Workyears Studied</u>	<u>Anticipated Savings Workyears</u>	<u>Dollars</u>
Security Assistance Accounting	Mar 00	Aug 01	460	115	\$7.6M

■ Schedule

- Draft RFP - October 2000
- Final RFP - January 2001
- Proposals Due - April 2001

■ Current Status

- PWS development underway



DFAS and A-76 Studies

■ *Competitive Sourcing Target Environment:*

- DFAS directed to study 6280 positions
 - From FY 1998 through FY 2003
 - Over 1300 already studied; an additional 1550 under study
- \$100M and 1100 workyears estimated savings
 - Approximately \$28M and 530 workyears already garnered
 - Additional \$26M and 380 workyears anticipated for on-going studies

DFAS is positioned to hit the target



Major Outsourcing Challenges

- Ensure accurate and timely reporting
- Measure and improve quality of operations
- Modernize and replace systems during competition
- Adopt business model and explore organizational changes
- Foster teamwork within DFAS, with customers, and with private sector



DFAS and A-76 Studies

■ *What's Ahead:*

- FY 2000 Remainder - Will announce 1-2 more
- FY 2001- Plan to announce at least 4

***Aggressive Schedule...Full
Partnership...Teamwork***



Summary

■ *Competitive Sourcing Goals:*

- Improve business operations
- Reduce costs to our customers
- Improve customer service

It's The Right Thing To Do!